

## STANDING INSURANCE COMMITTEE

### SPECIAL MEETING MINUTES

February 1, 2010 – Town Hall Conference Room Two

- I. Call to order - Chairperson Nasinnyk called the meeting to order at 7:04 P.M.
- II. Roll Call - Members present: Kristine Nasinnyk, Chairperson; David Nagel; Clark Castelle; Sharon Braverman; and James Zolad. Others present: Joe Peak, R.C. Knox and Company; Lou Jachimowicz, Business Administrator; and Jeff Baron, Director of Administrative Services.
- III. Public Participation – None.
- IV. Consider and take action on insurance reserve fund ordinance changes – The Insurance Reserve Fund is capped by ordinance at \$225,000. A presentation with handouts, focusing on the amounts needed over the next few years to cover the Town's payments for the retrospective rating plan workers compensation losses was provided by Mr. Peak.

The current retro program for workers compensation was compared to the Town's prior program. The current retro program with the Town's carrier, CIRMA, provides substantial savings, greater predictability, better cash flow, and only a 50% payment of the amounts due in early 2011, the first adjustment date.

The projected retro adjustments for the current policy year were shown. The actuarial firm used by CIRMA, Deloitte & Touche, analyzed the Town's workers compensation losses and projected ultimate losses for the year. The various factors and charges called for in the contract were applied to arrive at a total premium indication. This amount is greater than the maximum premium CIRMA agreed to cap the program at. When the amount of premiums already paid are subtracted from the cap amount, the additional premium amount of \$402,695 is arrived at. By contract, only 50% of this amount will be due at the time of the first adjustment in January 2011. The remainder is due at the time of the second adjustment in January 2012.

Deloitte also calculated the Town's anticipated payments, to a 75% confidence level, from the prior, non-retro program CIRMA years covering the period from July 2004 through June 2009. The Town's anticipated payments for each of the next five years were identified.

During 2010-11 the Insurance Reserve Fund will have to fund the first retro adjustment that will be due for 2009-10 losses, along with the amounts from the 2004-09 losses that come due, plus a small amount from losses incurred before

the Town was insured by CIRMA, and the deductibles for losses under the Liability, Auto and Property coverage. This amount is anticipated to be \$476,413, well in excess of the \$225,000 that the fund is capped at. In 2011-12 two 50% retro adjustments will be due, plus all the other expenses mentioned for the previous year. The amount anticipated will be \$650,592 which is again well in excess of the \$225,000 current fund level.

For next year, CIRMA has offered to lower the Liability, Auto and Property premiums so savings can be used to offset the additional amount needed for the Insurance Reserve Fund. CIRMA has also agreed to keep the workers compensation retro program as it currently is, with the same cap and the same 50% adjustment split. Applying the LAP savings and the existing \$225,000 would mean that the additional amount needed to be transferred from other line items in the 2010-11 general fund would be less than \$50,000.

The \$225,000 level of the Insurance Reserve Fund is already being consistently exceeded on an annual basis. R.C. Knox expressed its concern regarding this during its presentation before the Committee as part of the Agent of Record selection process. The Town Council was also informed that an ordinance change would be requested in the near future when the retro program was presented to them. It is recommended that the present ordinance governing the Insurance Reserve Fund be replaced. New wording was introduced. This would require appropriations to be based on actuarial recommendations arrived at using the 75% confidence level. Returned money directly attributable to the insurance program would be kept in the fund. If the balance of the fund at the end of the fiscal year exceeds the actuarial recommendation by more than 5%, any amount over the 5% would go to the general fund. Mr. Baron also presented a handout showing the new wording and the old wording that is recommended to be deleted.

There would be a charge for the actuarial study. Deloitte charged \$3,000 to perform the initial study and would charge an additional \$2,000 for a follow up in the spring. These actuarial reports would be due in October and March of each year so that information would be provided that is timely for the budget process. Deloitte's data is specific to Connecticut, specific to workers compensation, and specific to municipalities.

It would be irresponsible to know that the reserve fund level is inadequate and not bring this to the attention of the Town Council along with a recommended means for addressing the problem. Changes were made to the wording during a prior discussion with the Finance Director. The revised wording will be submitted to the Town Attorney for his review if approved by the Committee.

Mr. Zolad made a motion to accept the Insurance Reserve Fund ordinance amendments as presented, subject to review by the Town Attorney, and to forward them to the Town Council with the Committee's recommendation that they be

approved. Second by Ms. Braverman. Discussion: Mr. Castelle asked if the 5% margin was sufficient. Mr. Baron replied that this was an arbitrary percentage that could be higher if the Committee felt more comfortable with a higher percentage and that the purpose was to prevent the stockpiling of funds above a level that was needed. Ms. Braverman questioned if there should be a not-to-exceed figure, noting that CIRMA's program was a good deal for the Town for the next two years but that there was some uncertainty after that time. The intent is to not have a set dollar amount but to have a method in place to determine the dollar amount to be funded that is based on solid statistical data. Mr. Peak agreed to attend any Town Council meetings where this matter would be discussed to answer any questions that arise and provide explanations as necessary. Mr. Zolad noted that the Town was fortunate to have received a 24 month commitment from CIRMA.

- V. Marketing strategy – Mr. Peak stated that R.C. Knox contacted 20 carriers when shopping the Town's insurance last year. None came to close to CIRMA, when considering the premiums, retro loss factors, and 50% retro payment deferral. CIRMA is also offering a substantial reduction to the Liability, Auto and Property (LAP) program for next year to assist with the Insurance Reserve Fund change process. CIRMA did state clearly that workers compensation and the LAP coverage were proposed together, in that the Town's terms and premiums would be substantially altered if certain lines of coverage were transferred to another carrier. Mr. Peak strongly recommended that the Town stay with CIRMA for 2010-11. There are other carriers that are emerging, but we would want to determine their staying power in the municipal market before considering them seriously. CIRMA's breadth of coverage and aggressiveness in pricing make them the best carrier for the Town. Mr. Castelle expressed concerns about his lack of knowledge regarding CIRMA's reinsurance partners and levels. Mr. Peak will gather information on this and share it with the Committee. If any member has concerns after reviewing this information, the Committee will meet again and discuss this matter further. Failing that, the Committee agreed by consensus to not shop the Town's insurance coverage for 2010-11 and to remain with CIRMA for next year. Mr. Peak will still come before the Committee in May or June with a premium proposal from CIRMA and any coverage level options.
- VI. Any Other Business Pertinent to the Committee – None.
- VII. Public Participation - None.
- VIII. Response to Public Participation – None.
- IX. Adjournment – the meeting adjourned at 8:53 P.M.